

This announcement contains inside information

2 September 2020

Concurrent Technologies Plc
(the “Company” or the “Group”)

Interim Results for the six months ended 30 June 2020

Concurrent Technologies Plc (AIM: CNC), a world leading specialist in the design and manufacture of high-end embedded computer boards for critical applications, announces interim results for the six months to 30 June 2020, reflecting a positive trading period with strong sales, profit before tax and investment.

Financial Highlights

- Turnover of £9.2m (H1 2019: £9.5m)
- Gross profit of £4.9m (H1 2019: £4.9m)
- Gross margin of 52.9% (H1 2019: 51.7%)
- Group operating profit of £1.2m (H1 2019: £1.6m)
- Adjusted Profit before tax £1.2m (H1 2019: £1.7m, after adjusting for non-recurring income of £1.0m) *
- Profit before tax of £1.2m (H1 2019: £2.7m) **
- Adjusted EPS on continuing activities of 1.62 pence (H1 2019: 2.21 pence) *
- EPS of 1.62 pence (H1 2019: 3.31 pence)
- Interim dividend increased to 1.1p per share (H1 2019: 1.05p)
- Cash balance (including cash deposits) at 30 June 2020 of £10.0m (H1 2019: £10.0m)
- Cessation of engineering facility in India

* Adjusted results are prepared to provide a more comparable indication of the Group’s core business performance by removing the impact of receipts from the key man insurance policy.

** 2019 statutory profit before tax includes £1m non-recurring income relating to key man insurance.

Operational Highlights

- Defence remains the largest individual sector, accounting for 68% of Group turnover during the period
- Strong order intake resulting in record order book in May 2020
- Global customer base continues to expand with exports generating 96% of Group revenues (H1 2019: 90%)
- Spending on R&D during the period was £1.8m (H1 2019: £1.7m)

Mark Cubitt, Chairman of Concurrent Technologies Plc, commented: “Despite the ongoing situation regarding COVID-19 and the one-time additional costs associated with the reorganisation of the engineering team, the Group’s trading has been consistently strong throughout a very volatile period and the team has successfully built on an excellent 2019. With a robust balance sheet and a solid overall order book, the Group is in an excellent position for future growth and the Board has confidence in meeting market expectations for the current year.”

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About Concurrent Technologies Plc

Concurrent Technologies Plc develops and manufactures high-end embedded computer products for use in a wide range of high performance, long life cycle applications within the telecommunications, defence, security, telemetry, scientific and aerospace markets, including applications within extremely harsh environments. The processor products feature Intel® processors, including the latest 9th generation embedded Intel® Core™ processors, Intel® Xeon® and Intel® Atom™ processors. The products are designed to be compliant with industry specifications and support many of today's leading embedded Operating Systems. The products are sold world-wide.

For more information on Concurrent Technologies Plc and its products please visit www.gocct.com.

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CHAIRMAN'S STATEMENT

In my first results as Chairman I am pleased to announce that the Group's trading performance has continued on from the positive results reported for 2019, with strong sales in the first half of 2020 and a solid order book, despite the challenging economic backdrop.

I would also like to acknowledge the role of our former Chairman, Michael Collins, who retires from the Board at the end of the month, and on behalf of the Group to thank him for his guidance and stewardship over the last 31 years. Concurrent would not be where it is today without Michael's significant contribution.

Financial Summary

The Company continued to trade and operate in a largely normal fashion during the first half of 2020, notwithstanding the onset of the COVID-19 pandemic. Revenue for the period was £9.2m (1H 2019: £9.5m), with the slight reduction in sales compared to the equivalent period in 2019 when an exceptional order was shipped. Gross margin increased to 52.9%. (1H 2019: 51.7%) and gross profit was maintained at £4.9m (1H 2019: £4.9m). The unaudited profit before tax (PBT) for the period was £1.2m (1H 2019: £1.7m net of a non-recurring payment of £1m pursuant to the Group's key man insurance). The decrease in PBT is largely due to a reduction in the amount of engineering costs that was capitalised in the period. The associated earnings per share (EPS) are 1.62 pence (1H 2019: 2.21 pence after adjusting for the £1m receipt referred to above).

The Group's balance sheet remains strong, with cash balances (including cash deposits) at 30 June 2020 of £10.0m (1H 2019: £10.0m).

Dividend

Given the strength of the Group's cash position and the balance sheet, the Board has declared a first interim dividend of 1.1p per share (H1 2019: 1.05p) - an increase of 4.8%. The total cost of this dividend will amount to £810,408. The ex-dividend date for this interim dividend is 17 September 2020, the record date is 18 September 2020 and the payment date is 2 October 2020.

Review of Operations

Having been designated as an essential defence supplier, production at the Company's Colchester headquarters continued throughout the lockdown period and the Group has not found it necessary to apply for support under any Government COVID-19 initiatives.

The Group has seen sales within the defence market increase to £6.3m (1H 2019: £5.5m) representing 68% (1H 2019: 58%) of revenue, while exports increased to 96% (1H 2019: 90%).

Our engineering group has generally been able to continue with its current projects whilst working at home as necessary, although our Indian site has proved to be a more challenging environment in which to achieve this. This has resulted in reduced productivity in the design group where our capitalisation rate of engineering costs is not as high as we might normally expect. This has adversely impacted PBT as a substantial proportion of these costs was expensed in the period. £1.8m (1H 2019: £1.7m) was invested in R&D prior to capitalisation during the first half of the year.

New products introduced during the first half of the year included a further high performance 3U VPX processor board as well as the release of our first Artificial Intelligence "AI" product. Both products were designed primarily for the defence market, with the AI product being targeted towards applications such as surveillance where faster and more in-situ analysis of data is essential. In addition, the Board is encouraged by the progress being made to introduce the AI technology into new markets. There has also been an

increase in the demand for our software products, particularly for the support of our security product for applications within the defence market. To assist with our objective of increasing the provision of development systems to customers, we have further expanded our third party partner programme to increase support of complementary products.

India

With this strategy of broadening our products and services, and as part of the ongoing reorganisation of the Group to introduce new skills and improved working practices, the Board has taken the decision to cease operations in the Group's engineering facility in India. This move will enable the Group to gain from the efficiencies of re-focussing our engineering team in the UK. Some of the costs associated with this exercise, which should be completed by the end of the year, have already been absorbed and are reflected in the first half results, with an anticipated full year charge of approximately £0.5m. We have successfully recruited additional engineering resources in the UK by filling both junior and senior roles and will continue to add new skills to the UK team during the rest of the year, as appropriate.

Future Plans

Our engineering team will continue to focus on introducing new hardware designs based on Intel processors, in addition to introducing complementary products in line with our core business needs and plans. We are also committed to supporting our customer base with new products for the long established VME and CompactPCI product ranges, while introducing new technologies on the VPX and AMC product lines. Development of our AI products continues, as does our commitment to increase our systems and services business.

Whilst the reorganisation of the engineering teams will result in a small short-term increase in costs, the benefits should start to be seen in 2021 through cost savings and improved design efficiencies. This is expected to deliver a positive impact on profitability through an estimated annual net saving of £0.5m from the start of 2021.

Outlook

Despite the ongoing situation regarding COVID-19 and the one-time additional costs associated with the reorganisation of the engineering team, the Group's trading has been consistently strong throughout a very volatile period and the team has successfully built on an excellent 2019. With a robust balance sheet and a solid overall order book, the Group is in an excellent position for future growth and the Board has confidence in meeting market expectations for the current year.

Mark Cubitt
Chairman
1 September 2020

All companies and product names are trademarks of their respective organisations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited interim results to 30 June 2020

	Note	Six months ended 30/06/20 £	Six months ended 30/06/19 £	Year ended 31/12/19 £
CONTINUING OPERATIONS				
Revenue		9,191,045	9,539,922	19,384,724
Cost of sales		4,325,867	4,608,129	9,174,588
Gross profit		4,865,178	4,931,793	10,210,136
Net operating expenses		3,627,665	3,313,078	7,204,073
Group operating profit		1,237,513	1,618,715	3,006,063
Finance costs		(40,035)	-	(41,808)
Finance income		23,171	38,082	96,601
Other income	5	-	1,000,000	1,000,000
Profit before tax		1,220,649	2,656,797	4,060,856
Tax		25,858	248,898	52,857
Profit for the period		1,194,791	2,407,899	4,007,999
Other Comprehensive Income				
Exchange differences on translating foreign operations		419,634	16,596	(186,972)
Tax relating to components of other comprehensive income		-	-	-
Other Comprehensive Income for the period, net of tax		419,634	16,596	(186,972)
Total Comprehensive Income for the period		1,614,425	2,424,495	3,821,026
Profit for the period attributable to:				
Equity holders of the parent		1,194,791	2,407,899	4,007,999
Total Comprehensive Income attributable to:				
Equity holders of the parent		1,614,425	2,424,495	3,821,026
Earnings per share				
Basic earnings per share	4	1.62p	3.31p*	5.51p
Diluted earnings per share	4	1.62p	3.31p*	5.47p

*Includes income and associated tax from key man insurance policy

CONDENSED CONSOLIDATED BALANCE SHEET

Unaudited interim results to 30 June 2020

	As at 30/06/20	As at 30/06/19	As at 31/12/19
	£	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	1,683,186	672,988	1,638,429
Intangible assets	7,917,503	8,089,260	7,991,119
Deferred tax assets	100,930	140,984	142,894
	9,701,619	8,903,232	9,772,442
Current assets			
Inventories	6,546,821	4,913,969	5,097,907
Trade and other receivables	3,132,765	2,907,389	2,703,960
Current tax assets	334,082	101,621	274,221
Other financial assets	-	999,315	-
Cash and cash equivalents	10,034,786	9,031,044	10,487,902
	20,048,454	17,953,338	18,563,990
Total assets	29,750,073	26,856,570	28,336,432
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	1,537,532	1,457,296	1,453,331
Long term provisions	14,964	14,794	16,731
	1,552,496	1,472,090	1,470,062
Current liabilities			
Trade and other payables	5,410,722	3,827,836	4,964,824
Short term provisions	15,382	15,170	16,832
Current tax liabilities	-	14,588	-
	5,426,104	3,857,594	4,981,656
Total liabilities	6,978,600	5,329,684	6,451,718
Net assets	22,771,473	21,526,886	21,884,714
EQUITY			
Capital and reserves			
Share capital	739,000	739,000	739,000
Share premium account	3,699,105	3,699,105	3,699,105
Capital redemption reserve	256,976	256,976	256,976
Cumulative translation reserve	582,022	365,956	162,388
Profit and loss account	17,494,370	16,465,849	17,027,245
Equity attributable to equity holders of the parent	22,771,473	21,526,886	21,884,714
Total equity	22,771,473	21,526,886	21,884,714

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited interim results to 30 June 2020

	Six months ended 30/06/20 £	Six months ended 30/06/19 £	Year ended 31/12/19 £
Cash flows from operating activities			
Profit before tax for the period	1,220,649	2,656,797	4,060,856
Adjustments for:			
Finance income	(23,171)	(38,082)	(96,601)
Finance costs	40,035	-	41,808
Depreciation	142,154	108,085	315,687
Amortisation	888,299	909,491	1,788,003
Impairment loss	125,000	350,000	483,630
Loss on disposal of property, plant and equipment	-	-	-
Share-based payment	-	82,421	82,421
Exchange differences	467,772	20,619	(205,790)
(Increase)/decrease in inventories	(1,448,914)	(817,393)	(1,001,331)
(Increase)/decrease in trade and other receivables	(428,805)	445,192	648,621
Increase/(decrease) in trade and other payables	493,329	1,038,077	1,232,237
Cash generated from operations	1,476,348	4,755,207	7,349,541
Tax received/(paid)	(1,209)	(27,415)	(21,173)
Net cash generated from operating activities	1,475,139	4,727,792	7,328,368
Cash flows from investing activities			
Interest received	23,171	38,082	96,601
Cash released from/(placed on) deposit	-	(999,315)	-
Purchases of property, plant and equipment	(182,469)	(75,403)	(476,376)
Proceeds from sale of property, plant and equipment	-	-	-
Purchases of intangible assets	(939,585)	(1,357,983)	(2,272,054)
Net cash used in investing activities	(1,098,883)	(2,394,619)	(2,651,829)
Cash flows from financing activities			
Equity dividends paid	(1,054,561)	(981,698)	(1,745,345)
Repayment of leasing liabilities	(50,648)	-	(108,426)
Interest paid	(40,035)	-	(41,808)
Sale of treasury shares	368,550	4,950	4,950
Net cash used in financing activities	(776,694)	(976,748)	(1,890,629)
Effects of exchange rate changes on cash and cash equivalents	(52,678)	(4,733)	22,640
Net increase/(decrease) in cash	(453,116)	1,351,692	2,808,550
Cash at beginning of period	10,487,902	7,679,352	7,679,352
Cash at the end of the period	10,034,786	9,031,044	10,487,902

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited interim results to 30 June 2020

	Share capital £	Share Premium £	Capital redemption reserve £	Cumulative translation reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2019	739,000	3,699,105	256,976	349,360	14,670,553	19,714,994
Profit for the period	-	-	-	-	2,407,899	2,407,899
Exchange differences on translating foreign operations	-	-	-	16,596	-	16,596
Total recognised comprehensive income for the period	-	-	-	16,596	2,407,899	2,424,495
Share-based payment	-	-	-	-	82,421	82,421
Deferred tax on share-based payment	-	-	-	-	3,403	3,403
Dividends paid	-	-	-	-	(981,698)	(981,698)
Sale of treasury shares	-	-	-	-	4,950	4,950
Balance at 30 June 2019	739,000	3,699,105	256,976	365,956	16,187,528	21,248,565
Profit for the period	-	-	-	-	1,600,100	1,600,100
Exchange differences on translating foreign operations	-	-	-	(203,568)	-	(203,568)
Total recognised comprehensive income for the period	-	-	-	(203,568)	1,600,100	1,396,532
Share-based payment	-	-	-	-	-	-
Deferred tax on share-based payment	-	-	-	-	3,264	3,264
Dividends paid	-	-	-	-	(763,647)	(763,647)
Sale of treasury shares	-	-	-	-	-	-
Balance at 31 December 2019	739,000	3,699,105	256,976	162,388	17,027,245	21,884,714
Profit for the period	-	-	-	-	1,194,791	1,194,791
Exchange differences on translating foreign operations	-	-	-	419,634	-	419,634
Total recognised comprehensive income for the period	-	-	-	419,634	1,194,791	1,614,425
Share-based payment	-	-	-	-	-	-
Deferred tax on share-based payment	-	-	-	-	(41,655)	(41,655)
Dividends paid	-	-	-	-	(1,054,561)	(1,054,561)
Sale of treasury shares	-	-	-	-	368,550	368,550
Balance at 30 June 2020	739,000	3,699,105	256,976	582,022	17,494,370	22,771,473

NOTES TO THE INTERIM REPORT

1. General information

The principal activity of the Group is design, manufacture and supply of innovative high-end embedded single board computers and complementary accessories aimed at a wide base of customers within the defence, telecommunications, aerospace, transport, scientific and industrial markets.

Concurrent Technologies Plc ("the Company") is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. Concurrent Technologies Plc shares are listed on the Alternative Investment Market of the London Stock Exchange.

The Group's condensed consolidated interim financial statements are presented in pounds sterling (£), which is also the functional currency of the parent company.

These condensed consolidated interim financial statements, which are unaudited, have been approved for issue by the Board of Directors on 1 September, 2020.

The information relating to the six months ended 30 June 2020 and 30 June 2019 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2019, prepared in accordance with IFRSs (International Financial Reporting Standards) as adopted by the European Union, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The auditors' report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Summary of significant accounting policies

2.1 Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2020. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with adopted IFRSs.

The accounting policies applied and methods of computation are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements. The accounting policies have been consistently applied to all the periods presented.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2020 that would be expected to have a material impact on the results or financial position of the Group.

2.2 Going Concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

2.3 Taxation

Current tax expense is recognised in these condensed consolidated interim financial statements based on estimated effective tax rates for the full year.

3. Segmental reporting

The Directors consider that the Group is engaged in a single segment of business, being design,

manufacture and supply of high-end embedded computer products, and that therefore the Company has only a single operating segment. The key measure of performance used by the Board to assess the Group's performance is the Group's profit before tax, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated interim financial statements.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company only has one category of dilutive potential ordinary shares, namely share options.

The inputs to the earnings per share calculation are shown below:

	Six months ended 30/06/20 £	Six months ended 30/06/19 £	Year ended 31/12/19 £
Profit attributable to ordinary equity holders	1,194,791	2,407,899	4,007,999

	Six months ended 30/06/20 N°	Six months ended 30/06/19 N°	Year ended 31/12/19 N°
Weighted average number of ordinary shares for basic earnings per share	73,673,490	72,728,490	72,728,490
Adjustment for share options	195,579	2,457	574,542
Weighted average number of ordinary shares for diluted earnings per share	73,869,069	72,730,947	73,303,032

5. Other Income

Other income relates exclusively to a claim made against a key man insurance policy. The receipt during 2019 was a non-recurring item and represented full and final settlement of the claim.

6. Post reporting date events

Since 30 June 2020 the Group has announced the decision to cease operations at engineering facility in India. Some of the costs associated with this exercise, which should be completed by the end of the year, have already been absorbed and are reflected in the first half results, with an anticipated full year charge of approximately £0.5m.

7. Shareholder Communication

A copy of these condensed interim financial statements is available from the Company's Registered Office at 4 Gilberd Court, Newcomen Way, Colchester, Essex, CO4 9WN, UK and from the Company's website at www.gocct.com.